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AUGUST 1986

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Co-operation in the Community Sector

David Griffiths, a member of the 1984 Victorian Ministerial Advisory Committee on Co-operation (MACC), believes that the potential to develop co-operatives in the Social and Community Services (SACS) sector is dependent upon developing the analysis and recommendations contained in the Committee's final report. This, he says, will enable the rhetoric to become reality.

In this article, David suggests that dissatisfaction with the organisational structure and processes of traditional public and private sector enterprises has encouraged increasing numbers of individuals and groups to consider the co-operative option.

Co-operatives have been variously described as a Third Sector, a Middle Way, Worker Capitalism and Co-operative Socialism.

Common to these disparate descriptions is agreement that co-operatives are owned and

controlled by their members. They are democratic because there is one vote per member, irrespective of shareholding size. Control is by a majority of members rather than a majority of shares.

Because of its interest in the potential of co-operatives, in February 1984 the Victorian Government established a Ministerial Advisory Committee on Co-operation (MACC). MACC was asked to review the Co-operation Act, examine appropriate mechanisms for the development of co-operation in Victoria and consider the relationship between the co-operative and labour movements.

The Committee's report, *The Co-operative Way: Victoria's Third sector*, has now been completed. It is opportune therefore, to consider the relevance of co-operation to the economy, and in particular, to the SACS sector.

The economic problems of high continuing levels of unemployment, the closure of firms, the lack of industry competitiveness, the growth of self-employment, unequal opportunity and fluctuations in investment levels require new economic and employment policies designed to maintain and create jobs.

The only effective long-term response is the development of new forms of enterprise which are based on values and ethics different from those governing private enterprise — equal opportunity and outcomes, investment for local employment and economic growth, unionisation democratic ownership and control and social accountability.

Co-operatives are consistent with a new approach to economic development; an approach predicted on restructuring and re-organising the economy. The basis for this new approach is local economic initiatives — a bottom up approach. This should not be confused with localism for its own sake, or supporting local employment initiatives because they are local. To be local is not invariably desirable. Desirability depends on the ideological objectives of initiatives and the practice outcomes — democratic, economic and employment.

COMMUNITY SECTOR

Developing a co-operatisation strategy in the community sector depends on clearly identifying the Social and Community Services sector. The sector provides a range of services which are designed to assist individuals or

groups through support, enhancement or advocacy.

These services include infant welfare centres, hospitals, educational institutions, welfare agencies, public broadcasting stations, community arts, community health centres, libraries, community credit unions, housing co-operatives and child care centres. Ancillary services within and to the sector include research, cultural, planning, data processing, legal, technical aid, consultancy, transport and advertising.

The employing agencies within the sector are religious organisations, Government, private enterprise, community agencies and consumer-based groups. In general, services are not provided for a profit. Whether or not an agency is within the community or public sectors or straddling both is a matter for debate.

The sector is critically important for employment growth. A recent study by the National Institute for Economic and Industry Research illustrates this:

	% Employment	
	Manufacturing	Community Services
1985	23.5	18.2
2000	16.5	22.8

There is potential, therefore, to develop co-operatives in an economic and employment growth sector; a more promising option than converting uneconomic companies into co-operatives in declining economic sectors.

Co-operative development in the community sector has been particularly successful in Mondragon (Spain) and Italy. Of the 171 Mondragon Basque co-operatives in 1986 there were 45 educational co-operatives and 14 housing co-operatives. In Italy sympathetic local govern-

ments have contracted work to co-operatives in the community sector to cultural, welfare, health and education co-operatives.

While both experiences demonstrate the possibilities for co-operative development, in Italy there is an interdependent relationship between co-operatives, unions and local government. Indeed, union membership levels are significantly higher in co-operatives (approximately 85%) compared with their private enterprise counterparts (approximately 50%). Free trade unions were banned in Spain until 1977 and the co-operative and union movements have remained wary of each other.

The development of co-operatives in the Social and Community Services sector in Victoria would provide; an alternative organisational model within the community sector; an opportunity for groups to become independent within or outside the sector, and a third sector complementary to the public sector.

Between 1982 and 1985 the Victorian government pioneered the development of different types of co-operatives through its Co-operative Development Program at the (then) Ministry of Employment and Training — disability, public broadcasting, food, ethnic, women's and worker co-operatives. These co-operatives have included:

- the Inner Urban Co-operative — the first Victorian co-operative with a majority of workers who have intellectual disabilities
- the Gay Publications Co-operative — now publishing four publications
- the Sybylla Co-operative Press and Publications — a feminist printer and publisher

More extensive support has been available for rental housing co-operatives through the Ministry of Housing. Since 1978, 17 non-profit rental housing co-operatives have been developed. In 1985-86 \$10 million was spent on purchasing homes. More recently, \$2.2 million has been made available in 1986-87 and 1987-88 for the development of common equity rental co-operatives.

The Victorian Government is now developing a Social Justice Strategy. In March 1985 it released a Social Justice Statement which included an anti-poverty strategy. The anti-poverty strategy recognises the potential of community-based organisations such as co-operatives to empower individuals and groups, in particular, food and credit co-operatives.

All these co-operatives are demonstrating the possibilities for an alternative organisational model and how to empower groups through ownership and control.

ALTERNATIVE ORGANISATIONAL MODEL

Co-operatives are a democratic alternative to private enterprise. While the community sector tends to pride itself on its ethical superiority, this is not necessarily represented in appropriate organisational forms.

The traditional ownership and/or control of organisations is based on assumed inherent differences between owners, managers and workers. The common objective

“In a rental housing co-operative, members do not have to provide any equity which ensures they are accessible to those on low incomes. Further, it prevents members from taking any capital gains when they leave, keeping down the cost of housing

The establishment of common equity co-operatives heralds the start of a community housing sector which is tenant controlled and provides an alternative to the public housing authority.”

(p57 The co-operative way: Victoria's third sector)

- Dandenong and District Aborigines Co-operative Limited





• Open Channel Co-operative Limited

“A study by the Victorian Food Co-operative Study Group into low income, community based food co-operatives concluded that a central supply system or warehouse was essential if this developing sector was to gain a competitive edge.

Evidence from overseas, particularly the USA was consistent with the Study Group's findings, confirming that the provision of bulk buying facilities and resource support will be a precondition to further sector development.”

(p52 The co-operative way: Victoria's third sector)

of decision-makers is to maintain or restore their power. Actual and perceived threats to this power are countered by participative concessions — concessions which aim to integrate the threat (union/consumer) within the framework of traditional ownership and management.

In a co-operative, it is a question of reconciling democracy and efficiency rather than being democratic or efficient. Democratic control is the defining difference between a co-operative and private enterprise.

Co-operatives provide the opportunity for worker or consumer ownership and control. Whether a co-operative should be worker or consumer-based depends on the basis of its membership, the objectives of the co-operative and its activities.

EQUAL OPPORTUNITY MODEL

Co-operatives have provided the mechanisms for women and minorities to establish and develop their own enterprises.

Admittedly the traditional co-operative movement has not demonstrated equal opportunity outcomes but rather has reflected unequal opportunity despite the idealisation of open membership and democratic control.

In recent years, co-operatives being established in the community sector in Victoria have demonstrated a greater sensitivity to the realisation of open membership and democratic control. Women are providing the major impetus for the establishment and development of child care, housing and food co-operatives. There are persisting inconsistencies, for example, a co-operative with a predominantly female membership and a predominantly male Board of Directors.

COMPLEMENTARY SECTOR

Co-operatives could complement the public sector. Co-operatives must not be used as a means of privatising existing public services or be set up in opposition to public services or take on work normally the responsibility of public sector workers. This is particularly important in the community sector given the dominant role of the public sector. Co-operatisation should not be confused with privatisation and should not attempt to convert existing public sector agencies and activities into co-operatives.

Unlike private enterprise, co-operatives are democratic and socially responsive. These differences provide the basis for their complementary relationship with the public sector.

These possibilities are already being exemplified by housing and child care co-operatives. There is also potential to divert government funds from sheltered workshops to establishing and developing co-operatives for workers who are intellectually disadvantaged.

CO-OPERATION STRATEGY

An effective co-operative development strategy in the SACS sector is conditional on the following:

- An ideological commitment to co-operation
- Strategies for the co-operatisation of the sector
- A new entrepreneurial ethic
- Democratic management education and training programs
- A co-operative investment fund.

IDEOLOGY

The development of co-operatives is necessarily ideological. Co-operatives can be used to support or oppose employment retention, trade unions, working conditions and privatisation.

Since its inception the co-operative movement has reflected two divergent ideological tendencies (socialist and capitalist) which have stood in uneasy relationship to each other. The domination of either tendency has differed in time and place.

The development of co-operatives in the SACS sector should be based on an explicit ideology.

STRATEGIES

The basis for any co-operative development strategy must be the individuals and groups who will form and constitute the co-operatives. This is critical for the democracy and autonomy of the co-operatives.

These strategies need to clearly distinguish between co-operatives and other forms of social ownership.

The strategies need to be clear and explicit on the objective of co-operatisation:

- (a) existing private enterprise activities and areas within the sector, and
- (b) continued development of existing co-operative initiatives, where co-operatives are subsidised by government to provide a service.

The support of unions in the sector is critical. Organisations, groups and individuals interested in the development of co-operatives should work with unions and co-operative sector associations in identifying the potential for developing co-operatives in existing and new areas.

Decisions need to be made on the types of co-operatives to be developed. Food, housing and child care co-operatives should be owned and controlled by the consumers of these services. Building, maintenance and publishing co-operatives should be owned and controlled by their workforce.

NEW ETHIC

The rhetoric of co-operation does not automatically create a co-operative practice. A co-operative practice will necessarily involve a new basis of motivation which



• Western Region Working Womens Co-operative Limited

“The Inner Urban Co-operative in Collingwood Victoria is Victoria’s first co-operative to employ a majority of intellectually disadvantaged workers. A clothing manufacturing business . . . Workers hold their own meetings and may attend management committee meetings. There are two worker advocates to ensure full participation by the workers in the day to day affairs of the co-operative.”

(p58 The co-operative way: Victoria’s third sector)

“It is also suggested that other applications for co-operatives could include:

(a) Health care.

Community-based health centres could be managed by staff, patients and community representatives as co-operatives.

(b) Legal aid. Again, these community-based centres could become responsible directly to their users and staff by functioning as co-operatives.

(c) Public broadcasting. A number of community radio stations have already been set up as co-operatives, mainly in country Victoria.

(d) Performing artists.”

(P44 The co-operative way: Victoria's third sector)

• Bootstrap Trading Co-operative Limited



will permeate employment, investment and production decision-making.

The co-operative goal of surplus rather than profit is significant rather than pedantic. The role of capital in co-operatives is to service rather than control the members.

DEMOCRATIC MANAGEMENT

A democratic management is not created by a democratic organisation. Democratic work and workplace practice is difficult to achieve and maintain.

Management tends to be equated with managers. Democratic management is the democratic process of determining the management of a co-operative — who, when, and how.

CO-OPERATIVE INVESTMENT

Proposals to use existing private financial institutions to develop co-operatives and other local employment initiatives is necessarily short-term expediency. In the long-term, private financial institutions will attempt to redirect co-operatives and undermine their structure and objectives. It is necessary to create alternative financial institutions that are ideologically and organisationally compatible with co-operatives.

THE MACC CONTRIBUTION

Having outlined the potential for co-operation and the conditions for their development, it would be useful to examine the analysis and recommendations of the MACC Report — in particular, its applicability to the community sector.

The report does not discuss the community sector. MACC's discussion of co-operative sectors refers to types of co-operatives rather than economic sectors and the development of co-operatives within these sectors. The various types identified within the community sector are child care, performing artist, health, public broadcasting, housing, Aboriginal, disability, credit and community advancement co-operatives. Specific strategies remain to be developed for different types of co-operatives within economic sector.

CO-OPERATION ACT

The existing Co-operation act is criticised as inconsistent with co-operative philosophy, principles and practices and inhibiting co-operative autonomy and democracy.

It is recommended the new Co-operation Act should be based on self-regulation and self-management. It is

argued, for instance, that the management structure of a co-operative should depend on the members and that the rights of members should be specified in the rules of co-operatives and not left to interpretation and discretion.

The Report emphasises how the character of co-operatives can be undermined by unequal voting, unequal shareholding, a non-active membership, residual assets distribution to members, an excessively high surplus distribution to members and non-observance of the principles of co-operation.

The principles of co-operation have been rewritten to emphasise co-operative practice. These provide a sounder basis for identifying and determining co-operative character, although it is conceded that co-operatives should only be expected to substantially conform to the principles. Only time will determine how this is interpreted and enforced. At present, there is a group of companies who have been certified as substantially conforming to the principles of co-operation by the Registry of Co-operatives. Yet these companies adopt practices that contradict the principles — unequal and proxy voting.

It is recognised that individuals who become non-active should cease to be members of co-operatives. Non-active members have ceased to have an economic relationship with the co-operative — as producer, consumer or worker. In the case of worker co-operatives it is suggested that when an individual ceases to be a worker, membership should automatically lapse. With other types of co-operatives cessation of the membership of non-active individuals is desired rather than required.

The development of co-operatives is critically dependent on appropriate legislation which allows for flexibility within a defined co-operative framework. This framework is not, however, self-evident.

Legislation needs to enforce one vote per member, maximum and minimum shareholding, the automatic removal of non-active members, limit surplus distribution to members and prohibit residual assets distribution to members and codify the rights of members. Unless these are incorporated within legislation and enforced, co-operatives will degenerate.

CO-OPERATIVE MECHANISMS

In assessing mechanisms for the development of co-operatives, the report emphasises the role of co-operative sector associations and the Government. The sectors are seen to be different and development of co-operatives within these sectors is to be based on sector associations.

The report recommends that co-operative education and training should be underpinned by co-operative ideology, recognise the differences between co-operative sector associations.

The report accepts that the revitalisation of co-operation in Victoria depends on the Government through a new Co-operation Act and funding for co-operative sector associations, education and training and individual co-operatives.

Existing government support for housing, food and worker co-operatives is acknowledged. The use of



• Ballarat Trading Co-operative Limited

existing government funds in the community sector to support co-operatives is an analysis that remains to be developed.

LABOUR MOVEMENT

The Report argues that co-operatives can be married to the Victorian Government's Social Justice principles and the Economic Strategy, specifying the development of food, worker and housing co-operatives.

The specific importance of trade unions to worker co-operatives is recognised. Generally, the report does not address whether or not co-operative development depends on union support and the need to unionise co-operatives.

MACC opts for ideological neutrality. This neutrality is a reflection of the public position of the traditional co-operative movement in Victoria. The Co-operative Federation of Victoria has adhered to religious and political neutrality since 1970 — four years after the International co-operative Alliance abandoned neutrality as a principle of co-operation. It is a chameleon co-operation; co-operation that is changeable depending on the ideology and objectives of its proponents.

CONCLUSION

The MACC Report provides a useful basis for furthering the debate on co-operatives in the economy, in particular the need for new economic strategies that challenge conventional monetarist and market-led policies.

The potential to develop co-operatives in the community and social services sector is dependent on developing the analysis and recommendations — to enable the rhetoric to become reality. Individuals and groups in the sector will make their own decisions on the relevance of the co-operative potential.

follow
up.

Copies of the Ministerial Advisory Committee on Co-operation (MACC) Report are available free from; Victorian Council of Social Service (03) 419 3555